

UNITED STATES SENATOR • IOWA

CHUCK GRASSLEY

RANKING MEMBER • SENATE COMMITTEE ON FINANCE

<http://grassley.senate.gov>
press_office@grassley.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

Note: Sen. Chuck Grassley, ranking member of the Committee on Finance, gave the following speech on the Senate floor this afternoon.

**Statement of Senator Chuck Grassley
Where is the Democratic Budget Resolution?
Monday, April 22, 2002**

Last Monday was April 15th, that's the day Americans filed their income tax return with the IRS. April 15th was also the deadline for Congress to complete its work on the budget resolution for the federal government. But, the deadline has come and gone and we still don't have a budget. It seems the Democratic leadership is reluctant to bring its proposed budget to the floor of the Senate for a vote. According to recent press reports, the Democrats don't know if they have the votes to pass their budget.

What's interesting about the Democratic leadership's inability to find enough votes to pass a budget is that the makeup of the Senate this year is exactly the same as last year. With this same membership, Republicans last year produced a bipartisan budget supported by 65 senators, including 15 Democrats. After taking a closer look at the Democrats' budget, I'm not surprised they don't have the votes. The Democratic budget is a case study in contradictions.

They claim to support the war on terrorism, but they don't fund the President's request for defense. They say the President's tax cut was too big, but they don't delay or repeal it. They claim to protect Social Security and Medicare, but they spend trust fund money on other programs for the rest of the decade. In short, the Democratic budget says one thing and does another. Let's take a closer look at these contradictions.

First, according to the Democratic Budget Committee Report, "the budget resolution provides all of the resources requested by the President for the Department of Defense for the next two years. It includes a reserve fund that will provide all of the defense funding requested by the President in 2005 through 2012 if it becomes clear that the funds are needed." In other words, the Democratic budget funds the President's request for two years and then cuts it by \$160 billion the next eight years.

Their so-called defense "reserve fund" is fraud. Unlike the other reserve funds in their budget -- for Medicare, health care, and the Individuals with Disabilities Act -- no money is actually being set aside for defense. Admittedly, the war on terrorism may not cost as much as the President has requested, but instead of honestly setting aside the extra money until we know for sure, the Democratic budget spends the money on other programs.

According to the Democratic Budget Committee Report, "The President's budget does

represent an appropriate response to the September 11 attacks -- it provides the resources that will allow our armed forces, homeland security personnel, and citizens to respond to the challenge posed by terrorists. But -- just as last year -- the President's budget does not respond adequately to the other major challenges facing this nation."

In other words, the Democratic budget recognizes the potential need to fund the President's defense request, but insists other programs must come first. Compared to the President's budget, the Democratic budget spends \$160 billion less on defense and \$348 billion more on everything else.

The second contradiction in the Democratic budget is the issue of tax cuts. The Democratic Budget Committee Report says, "Last year our national leaders were presented with a golden opportunity to set this nation on a course to deal with the challenges facing it . . . But the President and Republicans in Congress instead pushed through a plan that had only one priority -- tax cuts, . . . Because of the huge tax cut, there were not enough resources left to address other challenges. . . . The effects of this squandered opportunity are being felt this year."

So, how does the Democratic budget propose to deal with this so-called squandered opportunity? The Democratic Budget Committee Report states, "The budget resolution assumes no repeal or delay of tax rate reductions that are scheduled to occur in future years under the law enacted last year." So, if last year's tax cut was such a "squandered opportunity," why doesn't the Democratic budget do something about it?

The reason is simple. They know the American people are overtaxed. They know 12 Democratic senators voted for the tax cut signed into law by President Bush last year. They know their Senate colleagues will not vote to delay or repeal the tax cut. But instead of admitting these facts, the Democratic leadership continues its partisan attacks on Republicans for "squandering" the surplus and "raiding" Social Security.

That brings us to the third and most outrageous contradiction of them all. The Democratic Budget Committee Report states, "The budget resolution recognizes that it is crucial to return the budget to balance without Social Security as soon as possible . . ." So, how does the Democratic budget propose to do this? It contains a so-called "circuit breaker" that would create a budget point-of-order against the consideration of next year's budget if it does not get to balance -- excluding Social Security -- by 2008.

In other words, the Democrats, in their budget, believe it is so "crucial" to balance the budget without Social Security that it proposes to wait until next year. Apparently, "as soon as possible" doesn't apply to this year. During the Budget Committee markup the chairman explained that he was not requiring a plan to protect Social Security this year because the economy was still weak and that it is unwise to engage in further deficit reduction during our recovery.

One might be tempted to accept this explanation. But, consider what the chairman had to say when OMB Director Mitch Daniels testified before the Budget Committee. The Budget Committee chairman stated, "I'd be quick to acknowledge I could live with [a deficit] in a year of economic downturn and at a time of war. But you're not forecasting economic downturn for even later this year -- you're forecasting economic recovery. And for the rest of the decade, you're forecasting rather strong economic growth and yet year after year you propose taking money from Social Security, taking money from Medicare. . . How do you justify it?"

Blaming the economy for their failure to make any effort to protect Social Security is especially ironic given the Budget Committee chairman's view of how the economy works. According to the Chairman, the tax cuts reduced the surplus thereby driving up long-term interest rates which have a negative impact on the economy. If one accepts the chairman's view of the economy, the sooner Congress enacts a deficit reduction package, the sooner we can bring down long-term interest rates and stimulate the economy. But, instead of having the courage of his economic convictions, the Democratic budget fails to make any effort to reduce the deficit. Instead, it just digs the hole deeper. The Democratic budget resolution dips into the Social Security trust fund and spends \$1.3 trillion of the Social Security surplus on other programs.

What is even more ironic about the Democratic budget "circuit breaker" is that it only applies to Social Security. Last year, the chairman of the Budget Committee insisted that it was equally important to protect the Medicare trust fund as well.

Last year during the debate over the Social Security lockbox, the chairman stated, "Some of us believe it is critically important that we protect both the Social Security trust fund and the Medicare trust fund so they are not used for other spending in the federal budget." Apparently, that was then and this is now.

Now, the Democratic budget proposes to dip into the Medicare trust fund and spend \$360 billion of the Medicare surplus on other programs. The Democratic leadership would like the American public to believe their opposition to tax cuts is based on their desire to protect Social Security and Medicare. But, the budget they have produced this year shows that's simply not true. Despite what the Democratic leadership might say, their opposition to tax cuts has nothing to do with protecting Social Security and Medicare.

If they were so committed to protecting Social Security and Medicare, they could have proposed to delay or repeal the tax cut. If they were so committed to protecting Social Security and Medicare, they could have proposed to reduce other spending. But, they chose to do none of the above. Instead, the Democratic leadership chose to produce a budget that increases federal spending and thereby spends \$1.7 trillion of the Social Security and Medicare surplus on other programs. That's the dirty little secret of the Democratic budget.

After spending all of last year and the first part of this year engaged in partisan attacks on a so-called Republican tax cut -- that passed with the votes of 12 Democrats -- the Democratic leaders have decided they would rather increase spending than protect Social Security and Medicare.

Now, I believe we all know why the Democratic leaders don't want to bring their budget resolution to the floor of the Senate for a vote -- they are too embarrassed. I have to admit, I would be embarrassed, too.